

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

**Financial Statements
and
Independent Auditors' Report
December 31, 2015 and 2014**

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INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Investment Management Consultants Association, Inc.
Greenwood Village, Colorado

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Investment Management Consultants Association, Inc., which are comprised of the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Investment Management Consultants Association, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of revenues and expenses - budget to actual are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for that portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audits of the financial statements; accordingly, we do not express an opinion or provide any assurance on it.

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March 25, 2016
Denver, Colorado

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

Statements of Financial Position

	December 31,	
	2015	2014
	(Unrestricted)	(Unrestricted)
Assets		
Current assets		
Cash and cash equivalents	\$ 3,491,842	\$ 4,211,101
Accounts receivable	641,534	475,243
Prepaid expenses	622,866	539,623
Publications inventory and other assets	<u>118,151</u>	<u>45,050</u>
Total current assets	4,874,393	5,271,017
Property and equipment, net	50,650	65,529
Development costs, net	245,469	210,444
Other assets		
Investments	15,621,699	14,001,028
Other assets	<u>18,000</u>	<u>18,000</u>
Total assets	<u>\$ 20,810,211</u>	<u>\$ 19,566,018</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 562,588	\$ 599,892
Accrued compensated absences	138,027	98,435
Deferred revenue	<u>6,632,630</u>	<u>5,698,358</u>
Total liabilities	<u>7,333,245</u>	<u>6,396,685</u>
Net assets		
Unrestricted	<u>13,476,966</u>	<u>13,169,333</u>
Total net assets	<u>13,476,966</u>	<u>13,169,333</u>
Total liabilities and net assets	<u>\$ 20,810,211</u>	<u>\$ 19,566,018</u>

See notes to financial statements.

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

Statements of Activities

	For the Years Ended December 31,	
	<u>2015</u>	<u>2014</u>
	(Unrestricted)	(Unrestricted)
Revenues and gains		
Certification	\$ 2,776,591	\$ 2,251,251
Meetings and conferences	5,028,809	4,815,613
Membership	3,754,438	3,585,404
Education	770,460	916,996
Other income (expense)	<u>9,593</u>	<u>(3,995)</u>
Total revenues and gains	<u>12,339,891</u>	<u>11,565,269</u>
Expenses		
Program services		
Certification	3,074,823	2,475,913
Meetings and conferences	4,251,797	3,711,509
Education	556,682	817,108
Membership	<u>2,054,102</u>	<u>2,674,492</u>
Total program services	9,937,404	9,679,022
Supporting services		
Management and general	<u>1,737,967</u>	<u>1,573,130</u>
Total expenses	<u>11,675,371</u>	<u>11,252,152</u>
Change in net assets before investment (loss) income	664,520	313,117
Investment (loss) income	<u>(356,887)</u>	<u>104,932</u>
Change in net assets	307,633	418,049
Net assets at beginning of year	<u>13,169,333</u>	<u>12,751,284</u>
Net assets at end of year	<u>\$ 13,476,966</u>	<u>\$ 13,169,333</u>

See notes to financial statements.

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

Statements of Cash Flows

	For the Years Ended December 31,	
	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 307,633	\$ 418,049
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	26,322	25,099
Amortization	123,987	136,475
Net unrealized/realized loss on investments	732,117	222,390
Changes in assets and liabilities		
Accounts receivables	(166,291)	179,604
Prepaid expenses	(83,243)	220,484
Publications inventory and other assets	(73,101)	(16,724)
Accounts payable	(37,304)	(129,436)
Accrued compensated absences	39,592	8,197
Deferred revenue	934,272	418,131
	<u>1,496,351</u>	<u>1,064,220</u>
Net cash provided by operating activities	<u>1,803,984</u>	<u>1,482,269</u>
Cash flows from investing activities		
Purchases of property and equipment	(11,443)	(19,678)
Acquisition of development costs	(159,012)	(112,082)
Net purchases of investments	(2,352,788)	(6,759,299)
Net cash used in investing activities	<u>(2,523,243)</u>	<u>(6,891,059)</u>
Net decrease in cash and cash equivalents	(719,259)	(5,408,790)
Cash and cash equivalents at beginning of year	<u>4,211,101</u>	<u>9,619,891</u>
Cash and cash equivalents at end of year	<u>\$ 3,491,842</u>	<u>\$ 4,211,101</u>

See notes to financial statements.

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

Investment Management Consultants Association, Inc. ("IMCA") is a membership organization for investment professionals. IMCA was established in 1985 to deliver premier investment consulting and wealth management credentials and world-class educational offerings. IMCA also provides forums (conferences) for ongoing education and information sharing among its members.

IMCA is governed by a volunteer Board of Directors (the "Board") of 13 elected members with a Chair, Vice-Chair, Secretary, and Treasurer. There are also numerous volunteer committees through which membership/designation policies and procedures are discussed and cleared. The Board meets several times a year in person or by teleconference; most of the committees meet by teleconference over the course of the year.

Organizationally, IMCA is a 501(c)(6) membership organization; this means IMCA is a tax-exempt organization as authorized by the IRS. In addition to providing membership services and educational conferences to its members, IMCA supports two highly prestigious designations in the investment consulting field: Certified Investment Management Analyst ("CIMA") and Certified Private Wealth Advisor ("CPWA").

Basis of Presentation

IMCA reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in IMCA's operations and those resources invested in property and equipment. IMCA has no temporarily or permanently restricted net assets.

Recently Issued Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-02, Leases (Topic 842). The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

IMCA is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

IMCA considers all highly liquid investments with a maturity of three months or less that are not held by investment managers as part of an investment portfolio to be cash equivalents. IMCA continually monitors its position with, and the credit quality of, the financial institutions with which it invests. As of December 31, 2015, IMCA's cash accounts were fully insured by the FDIC.

Accounts Receivable

IMCA extends credit to customers for payment for goods and services provided. As of December 31, 2015 and 2014, management has determined that all receivables are collectible.

Prepayments

Prepayments consist mainly of deposits, travel, and other costs associated with the preparation of upcoming programs sponsored by IMCA. Prepayments related to holding the programs are recognized as an expense in the year the program is held.

Publications Inventory

Inventory consists of various books and other publications held for sale or provided as benefits to members. Inventory is stated at cost on a first-in, first-out method.

Property and Equipment

Property and equipment is stated at cost. Depreciation and amortization are computed on the straight-line method over estimated useful lives of the assets, ranging from three to seven years. IMCA capitalizes property and equipment purchases with a cost in excess of \$1,000 and a useful life of one year or greater.

Development Costs

IMCA accounts for costs incurred in the development of system software and online education programs as software research and development costs until the preliminary project stage is completed. Direct costs incurred in the development of software are capitalized once the preliminary project stage is completed, management has committed to funding the project, and completion and use of the software for its intended purpose are probable. IMCA ceases capitalization of development costs once the software has been substantially completed and is ready for its intended use. Software development costs are amortized over their estimated useful lives, generally three to four years. Costs associated with upgrades and enhancements that result in additional functionality are capitalized.

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Investments

IMCA reports investments in equity securities and alternative mutual funds with readily determinable fair values and debt securities at their fair values. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities as investment (loss) income.

Concentrations of Credit Risk

Financial instruments that potentially subject IMCA to concentrations of credit risk consist principally of cash and investments. IMCA places its cash and investment accounts with creditworthy, high-quality financial institutions. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of IMCA.

Long-Lived Assets

IMCA reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. IMCA looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired. There was no impairment at December 31, 2015 and 2014.

Revenue Recognition and Deferred Revenue

Revenue from membership dues, fees, and services is recognized ratably over the applicable period of service. Deferred revenue represents unearned dues, fees, and services revenue received in advance and will be recognized when earned.

Advertising Costs

IMCA expenses advertising costs as incurred. During the years ended December 31, 2015 and 2014, advertising expense was \$687,146 and \$985,020, respectively.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the appropriate programs and supporting services.

International Expenses

The Board approved a multi-year \$500,000 international strategy plan to penetrate the global marketplace with emphasis in Canada and Australia, and building out the infrastructure to support a global market. During the years ended December 31, 2015 and 2014, total international expense was \$135,378 and \$68,970, respectively, which is included in management and general expenses on the accompanying statements of activities.

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Income Taxes

IMCA is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code ("IRC"); accordingly, no provision for income taxes is included in the accompanying financial statements.

IMCA applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of December 31, 2015 or 2014.

If incurred, interest and penalties associated with tax positions are recorded in the period assessed as general and administrative expense. No interest or penalties have been assessed as of December 31, 2015 or 2014.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Subsequent Events

IMCA has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available for issuance, and has determined there are no events requiring disclosure.

Note 2 - Fair Value Measurement

IMCA values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, the following fair value hierarchy prioritizes observable inputs used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.
- Level 3: Unobservable inputs are used when little or no market data is available.

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

Notes to Financial Statements

Note 2 - Fair Value Measurement (continued)

In determining fair value, IMCA utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers counterparty credit risk in its assessment of fair value. These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity. All financial assets were classified as Level 1 at December 31, 2015 and 2014.

Following is a description of the valuation methodology used for assets measured at fair value:

Mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

There have been no changes to the valuation methodology during the years ended December 31, 2015 or 2014.

Financial assets carried at fair value consist of the following:

	December 31,	
	2015	2014
Fixed income and mutual funds	\$ 7,138,648	\$ 6,321,177
Domestic equity and mutual funds	1,897,382	1,553,063
Foreign equity and mutual funds	4,308,012	3,389,213
Tangible/alternative mutual funds	2,211,118	1,987,910
	\$ 15,555,160	\$ 13,251,363

Cash and cash equivalents in the amount of \$66,539 and \$749,665 as of December 31, 2015 and 2014, respectively, are included in investments but are not subject to fair value reporting and, therefore, are not included in the table above.

Investment (loss) income consists of the following and is included in investment income in the statements of activities:

	December 31,	
	2015	2014
Dividends and interest	\$ 375,230	\$ 327,322
Net realized (losses) gains	(162,473)	165,482
Net unrealized losses	(569,644)	(387,872)
	\$ (356,887)	\$ 104,932

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

Notes to Financial Statements

Note 3 - Property and Equipment

Property and equipment consists of the following:

	December 31,	
	2015	2014
Equipment	\$ 418,795	\$ 508,201
Software	140,443	169,660
Leasehold improvements	<u>159,148</u>	<u>159,148</u>
	718,386	837,009
Less accumulated depreciation	<u>(667,736)</u>	<u>(771,480)</u>
Total	<u>\$ 50,650</u>	<u>\$ 65,529</u>

Note 4 - Development Costs

Development costs consist of the following:

	December 31,	
	2015	2014
Software development	\$ 917,138	\$ 813,657
CPWA	278,841	278,841
Online essentials	260,800	260,800
Website/data manager	246,635	246,635
Resource Center Development	120,250	120,250
Applied behavioral finance development	43,869	-
IHOP development	20,100	20,100
Other	<u>-</u>	<u>612,498</u>
	1,887,633	2,352,781
Less accumulated amortization	<u>(1,642,164)</u>	<u>(2,142,337)</u>
Total	<u>\$ 245,469</u>	<u>\$ 210,444</u>

Development costs with a cost of \$624,160 and a net book value of \$0 were written off during the year ended December 31, 2015 because they were fully depreciated and were no longer in use.

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

Notes to Financial Statements

Note 5 - Deferred Revenue

Deferred revenue is comprised of the following:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Membership dues income	\$ 2,529,142	\$ 2,202,943
Conference registration	1,813,625	1,540,735
CPWA income	1,521,739	1,335,854
Recertification	654,777	476,477
Other, including refunds	76,055	105,255
Journal, Investments & Wealth Monitor	<u>37,292</u>	<u>37,094</u>
Total	<u>\$ 6,632,630</u>	<u>\$ 5,698,358</u>

Note 6 - Lease Commitments

Leases

IMCA leases office space and equipment under operating leases that expire at various dates through 2022. Rent expense totaled \$329,935 and \$335,460 for the years ended December 31, 2015 and 2014, respectively. Future minimum lease payments as of December 31, 2015 are as follows:

For the Year Ending December 31,

2016	\$ 321,279
2017	395,023
2018	405,293
2019	407,139
2020	414,436
Thereafter	<u>479,740</u>
	<u>\$ 2,422,910</u>

Note 7 - Commitments on Conference Contracts

IMCA has entered into contracts with facilities and vendors for classes and conferences to be held at various times through 2019. As part of the contracts, IMCA has guaranteed a certain level of rooms and food and beverage revenue for the vendors/facilities. The amounts are subject to cancellation policies with each party. The anticipated costs associated with the future events are approximately \$2,890,000 and \$3,937,000 at December 31, 2015 and 2014, respectively.

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

Notes to Financial Statements

Note 8 - Employee Benefits

IMCA initiated a Profit Sharing Retirement Plan (the "Plan") in March 2001. The Plan is under Section 401 of the IRC. All full-time employees and part-time employees who work over 1,000 hours in any given year and are 21 years of age are eligible to participate in the Plan after 90 days of employment. The Plan is discretionary, and IMCA contributes as financial conditions allow. Employees vest on a six-year graded vesting schedule in employer discretionary contributions. Historically, IMCA has contributed 4% to 7% to the Plan.

As of March 2001, IMCA formed a retirement savings plan that allows IMCA's employees to make contributions by salary reduction pursuant to Section 401(k) of the IRC. Employees are eligible for matching contributions up to 3% once they meet the eligibility requirements. Employees vest on a six-year graded vesting schedule in matching contributions. IMCA also regularly contributes 3% of the employees' eligible compensation under the Safe Harbor provision of the retirement savings plan. Upon eligibility, employees are immediately vested under this provision of the retirement savings plan.

Total contributions to both plans were \$253,003 and \$258,440 for the years ended December 31, 2015 and 2014, respectively.

SUPPLEMENTAL INFORMATION

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

**Schedule of Revenues and Expenses - Budget to Actual
For the Year Ended December 31, 2015**

	<u>Budget</u> (Unaudited)	<u>Actual</u>	<u>Variance</u>
Revenues and gains			
Certification	\$ 2,239,392	\$ 2,776,591	\$ 537,199
Meetings and conferences	5,415,987	5,028,809	(387,178)
Membership	3,653,762	3,754,438	100,676
Education	550,150	770,460	220,310
Other income	-	9,593	9,593
Total revenues and gains	<u>11,859,291</u>	<u>12,339,891</u>	<u>480,600</u>
Expenses			
Program services			
Certification	2,910,124	3,074,823	164,699
Meetings and conferences	4,417,442	4,251,797	(165,645)
Education	631,184	556,682	(74,502)
Membership	<u>2,236,409</u>	<u>2,054,102</u>	<u>(182,307)</u>
Total program services	10,195,159	9,937,404	(257,755)
Supporting services			
Management and general	<u>1,960,557</u>	<u>1,737,967</u>	<u>(222,590)</u>
Total expenses	<u>12,155,716</u>	<u>11,675,371</u>	<u>(480,345)</u>
Change in net assets before investment income	(296,425)	664,520	960,945
Investment (loss) income	<u>153,000</u>	<u>(356,887)</u>	<u>(509,887)</u>
Change in net assets	<u>\$ (143,425)</u>	307,633	<u>\$ 451,058</u>
Net assets at beginning of year		<u>13,169,333</u>	
Net assets at end of year		<u>\$ 13,476,966</u>	

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

**Schedule of Revenues and Expenses - Budget to Actual
For the Year Ended December 31, 2014**

	<u>Budget</u> (Unaudited)	<u>Actual</u>	<u>Variance</u>
Revenues and gains			
Certification	\$ 2,208,773	\$ 2,251,251	\$ 42,478
Meetings and conferences	4,789,343	4,815,613	26,270
Membership	3,546,658	3,585,404	38,746
Education	569,000	916,996	347,996
Other expense	-	(3,995)	(3,995)
Total revenues and gains	<u>11,113,774</u>	<u>11,565,269</u>	<u>451,495</u>
Expenses			
Program services			
Certification	2,640,963	2,475,913	(165,050)
Meetings and conferences	3,858,906	3,711,509	(147,397)
Education	1,006,807	817,108	(189,699)
Membership	<u>2,753,249</u>	<u>2,674,492</u>	<u>(78,757)</u>
Total program services	10,259,925	9,679,022	(580,903)
Supporting services			
Management and general	<u>1,477,694</u>	<u>1,573,130</u>	<u>95,436</u>
Total expenses	<u>11,737,619</u>	<u>11,252,152</u>	<u>(485,467)</u>
Change in net assets before investment income	(623,845)	313,117	936,962
Investment income	<u>133,000</u>	<u>104,932</u>	<u>(28,068)</u>
Change in net assets	<u>\$ (490,845)</u>	418,049	<u>\$ 908,894</u>
Net assets at beginning of year		<u>12,751,284</u>	
Net assets at end of year		<u>\$ 13,169,333</u>	